

## The Role of the Qualified Intermediary

The use of a Qualified Intermediary is essential to completing a successful IRC §1031 tax deferred exchange. **Investment Property Exchange Services, Inc. (IPX1031<sup>®</sup>)**, as a professional Qualified Intermediary, performs several vital functions in an exchange.

**Creates the Exchange of Properties:** The IRS stipulates that a reciprocal trade or actual exchange must take place in each exchange transaction. This means the Exchanger must assign to the Qualified Intermediary (1) their interest as seller of the relinquished property and (2) their interest as buyer of the replacement property. Because the Qualified Intermediary becomes an actual principal in the transaction, a reciprocal trade is created, even when there are three or more parties involved in the exchange (i.e., when the Exchanger is purchasing the replacement property from someone other than the buyer of their relinquished property).

**Holds Exchange Proceeds:** If the Exchanger actually or constructively receives any of the proceeds from the sale of their relinquished property, those proceeds will be taxable as boot. IPX1031<sup>®</sup>, as the Qualified Intermediary, will hold the proceeds from the sale in a separate exchange account until the funds are used to purchase the Exchanger's replacement property. All exchange proceeds held by IPX1031<sup>®</sup> are covered by a third party written corporate guarantee of performance, a \$100 million fidelity bond and \$30 million in professional liability insurance.

**Prepares Legal Documentation:** Several legal documents are necessary in order to properly document a successful exchange. IPX1031<sup>®</sup>, as the Qualified Intermediary, will prepare an Exchange Agreement, Assignment of Purchase and Sale Agreements, and Exchange Closing Instructions for each settlement officer handling the transaction. IPX1031<sup>®</sup> will also provide Exchangers with other form documents, such as a blank Replacement Property Identification Notice and a Disbursement Authorization of Exchange Funds for completion by the Exchanger.

**Provides Quality Service:** Although the process of completing an exchange is relatively simple, the rules are complicated and filled with potential pitfalls. IPX1031<sup>®</sup> has developed a national reputation as the industry leader for Qualified Intermediary services due to our substantial exchange experience and our unyielding commitment to our clients. We work closely with all parties involved to ensure a smooth §1031 exchange transaction.

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### Brief Exchanges

*Investment Property Exchange Services, Inc. cannot provide advice regarding specific tax consequences. Investors considering an IRC §1031 tax deferred exchange should seek the counsel of their accountant and attorney to obtain professional and legal advice.* © 2008 Investment Property Exchange Services, Inc.